

**Village of North Hampton  
Financial Statements  
December 31, 2005 and 2004**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of North Hampton  
250 West Clark St.  
North Hampton, OH 45349

We have reviewed the *Independent Auditors' Report* of the Village of North Hampton, Clark County, prepared by Taylor, Applegate, Hughes & Associates, Ltd., for the audit period January 1, 2004 to December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of North Hampton is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 31, 2007

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Village of North Hampton  
Financial Statements  
December 31, 2005 and 2004

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Table of Contents

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<u>Title</u>	<u>Page</u>
Report of Independent Accountants	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –all Governmental Fund Types and Similar Fiduciary Fund For the Year Ended December 31, 2005	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances- Proprietary Fund Type and Similar Fiduciary Fund For the Year Ended December 31, 2005	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types And Similar Fiduciary Fund – For the year Ended December 31, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund For the Year Ended December 31, 2004	4
Notes to the Financial Statements	5-13
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	14-15

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## INDEPENDENT AUDITORS' REPORT

Village of North Hampton  
Clark County  
250 West Clark Street  
North Hampton, Ohio 45349

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of North Hampton, Clark County, Ohio, (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or their changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Taylor, Applegate, Hughes and Associates, Ltd.  
February 19, 2007

**NORTH HAMPTON VILLAGE  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$33,825.31	\$7,115.49	\$40,940.80
Municipal Income Tax	0.00	0.00	0.00
Intergovernmental	2,524.62	15,787.92	18,312.54
Special Assessments	0.00	0.00	0.00
Charges for Services	0.00	0.00	0.00
Fines, Licenses and Permits	147,834.00	0.00	147,834.00
Earnings on Investments	1,550.57	1,950.40	3,500.97
Miscellaneous	8,105.69	72.00	8,177.69
<b>Total Cash Receipts</b>	<b>193,840.19</b>	<b>24,925.81</b>	<b>218,766.00</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	113,337.70	0.00	118,377.07
Public Health Services	0.00	2,697.81	2,697.81
Leisure Time Activities	2,765.01	0.00	2,765.01
Community Environment	0.00	0.00	0.00
Basic Utility Services	0.00	0.00	0.00
Transportation	0.00	16,466.10	16,466.10
General Government	61,564.91	2,487.61	64,052.52
Capital Outlay	5,039.37	0.00	0.00
Debt Service:			
Principle Payment	0.00	0.00	0.00
Interest and Other Fiscal Charges	0.00	0.00	0.00
<b>Total Cash Disbursements</b>	<b>182,706.99</b>	<b>21,651.52</b>	<b>204,358.51</b>
Total Receipts Over/(Under) Disbursements	11,133.20	3,274.29	14,407.49
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Bonds	0.00	0.00	0.00
Sale of Notes	0.00	0.00	0.00
Other Debt Proceeds	0.00	0.00	0.00
Discount on Debt	0.00	0.00	0.00
Sale of Fixed Assets	0.00	0.00	0.00
Transfers-In	7,438.00	0.00	7,438.00
Transfers-Out	(6,412.40)	0.00	(6,412.40)
Advance-In	0.00	0.00	0.00
Advance-Out	0.00	0.00	0.00
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	0.00	0.00	0.00
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,025.60</b>	<b>0.00</b>	<b>1,025.60</b>
Special Item	0.00	0.00	0.00
Extraordinary Item	0.00	0.00	0.00
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	12,158.80	3,274.29	15,433.09
Fund Cash Balance, January 1	10,637.50	75,602.63	86,240.13
<b>Fund Cash Balance, December 31</b>	<b>\$22,796.30</b>	<b>\$78,876.92</b>	<b>\$101,673.22</b>
Reserve for Encumbrances, December 31	\$2,905.92	\$6.97	\$2,912.89

The notes to the financial statements are an integral part of this statement

**NORTH HAMPTON VILLAGE  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Charges for Services	\$211,794.46	\$0.00	\$211,794.46
Fines, Licenses and Permits	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00
<b>Total Operating Cash Receipts</b>	<b>211,794.46</b>	<b>0.00</b>	<b>211,794.46</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	11,767.77	0.00	11,767.77
Employee Fringe Benefits	2,202.52	0.00	2,202.52
Contractual Services	181,622.29	0.00	181,622.29
Supplies and Materials	5,469.31	0.00	5,469.31
Other	10.44	0.00	10.44
Capital Outlay	111,204.13	0.00	111,204.13
<b>Total Operating Cash Disbursements</b>	<b>312,276.46</b>	<b>0.00</b>	<b>312,276.46</b>
Operating Income/(Loss)	(100,482.00)	0.00	(100,482.00)
<b>Non-Operating Cash Receipts/Disbursements</b>			
Other Debt Proceeds	141,531.88	0.00	141,531.88
Debt Service-principal	(7,257.25)	0.00	(7,257.25)
Debt Service-interest	(19,056.07)	0.00	(19,056.07)
Discount on Debt	0.00	0.00	0.00
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	0.00	0.00	0.00
<b>Total Non-Operating Receipts/Disbursements</b>	<b>115,218.56</b>	<b>0.00</b>	<b>115,218.56</b>
Income/(Loss)			
Before Interfund Transfers and Advances	14,736.56	0.00	14,736.56
Capital Contributions Debt	0.00	0.00	0.00
Special Item	0.00	0.00	0.00
Extraordinary Item	0.00	0.00	0.00
Transfers-In	0.00	6,412.40	6,412.40
Transfers-Out	0.00	(7,438.00)	(7,438.00)
Advance-In	0.00	0.00	0.00
Advance-Out	0.00	0.00	0.00
<b>Fund Cash Balance, January 1</b>	<b>79,753.34</b>	<b>8,337.00</b>	<b>88,090.34</b>
<b>Fund Cash Balance, December 31</b>	<b>\$94,489.90</b>	<b>\$7,311.40</b>	<b>\$101,801.30</b>
Reserve for Encumbrances, December 31	\$8,058.40	\$0.00	\$8,058.40

*The notes to the financial statements are an integral part of this statement*

**NORTH HAMPTON VILLAGE  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$26,394.90	\$4,830.38	\$31,225.28
Municipal Income Tax	0.00	0.00	0.00
Intergovernmental	5,757.82	14,505.45	20,263.27
Special Assessments	0.00	0.00	0.00
Charges for Services	0.00	0.00	0.00
Fines, Licenses and Permits	105,051.00	0.00	105,051.00
Earnings on Investments	401.74	812.75	1,214.49
Miscellaneous	2,299.94	12.00	2,311.94
<b>Total Cash Receipts</b>	<b>139,905.40</b>	<b>20,160.58</b>	<b>160,065.98</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	89,478.41	0.00	89,478.41
Public Health Services	0.00	4,215.96	4,215.96
Leisure Time Activities	2,359.14	0.00	2,359.14
Community Environment	0.00	0.00	0.00
Basic Utility Services	0.00	0.00	0.00
Transportation	0.00	4,775.71	4,775.71
General Government	70,287.94	614.42	70,902.36
Capital Outlay	0.00	0.00	0.00
Debt Service:			
Redemption of Principal	0.00	0.00	0.00
Interest and Other Fiscal Charges	0.00	0.00	0.00
<b>Total Cash Disbursements</b>	<b>162,125.49</b>	<b>9,606.09</b>	<b>171,731.58</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(22,220.09)</b>	<b>10,554.49</b>	<b>(11,665.60)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Bonds	0.00	0.00	0.00
Sale of Notes	0.00	0.00	0.00
Other Debt Proceeds	0.00	0.00	0.00
Sale of Fixed Assets	0.00	0.00	0.00
Transfers-In	0.00	0.00	0.00
Transfers-Out	(3,531.00)	0.00	(3,531.00)
Advance-In	8,657.42	0.00	8,657.42
Advance-Out	(8,657.42)	0.00	(8,657.42)
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	(643.84)	0.00	(643.84)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(4,174.84)</b>	<b>0.00</b>	<b>(4,174.84)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(26,394.93)	10,554.49	(15,840.44)
Fund Cash Balance, January 1	37,032.43	65,048.14	102,080.57
<b>Fund Cash Balance, December 31</b>	<b>10,637.50</b>	<b>75,602.63</b>	<b>86,240.13</b>
Reserve for Encumbrances, December 31	0.00	0.00	0.00

The notes to the financial statements are an integral part of this statement

**NORTH HAMPTON VILLAGE  
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Charges for Services	\$137,018.65	\$0.00	\$137,018.65
Fines, Licenses and Permits	0.00	0.00	0.00
Earnings on Investments	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00
<b>Total Operating Cash Receipts</b>	<b>137,018.65</b>	<b>0.00</b>	<b>137,018.65</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	11,695.28	0.00	11,695.28
Employee Fringe Benefits	2,193.63	0.00	2,193.63
Contractual Services	146,665.66	0.00	146,665.66
Supplies and Materials	6,082.99	0.00	6,082.99
Other	0.00	0.00	0.00
Capital Outlay	68,243.75	0.00	68,243.75
<b>Total Operating Cash Disbursements</b>	<b>234,881.31</b>	<b>0.00</b>	<b>234,881.31</b>
Operating Income/(Loss)	(97,862.66)	0.00	(97,862.66)
<b>Non-Operating Cash Receipts/Disbursements</b>			
Other Debt Proceeds	68,285.34	0.00	68,285.34
Special Assessments	0.00	0.00	0.00
Debt Service-principal	0.00	0.00	0.00
Debt Service-interest	0.00	0.00	0.00
Other Financing Sources	0.00	0.00	0.00
Other Financing Uses	0.00	0.00	0.00
<b>Total Non-Operating Receipts/Disbursements</b>	<b>68,285.34</b>	<b>0.00</b>	<b>68,285.34</b>
Income/(Loss)			
Before Interfund Transfers and Advances	(29,577.32)	0.00	(29,577.32)
Transfers-In			
Transfers-Out	0.00	3,531.00	3,531.00
Advance-In	0.00	0.00	0.00
Advance-Out	8,657.42	0.00	8,657.42
Fund Cash Balance, January 1	(8,657.42)	0.00	(8,657.42)
<b>Fund Cash Balance, December 31</b>	<b>109,330.66</b>	<b>4,806.00</b>	<b>114,136.66</b>
<b>Fund Cash Balance, December 31</b>	<b>79,753.34</b>	<b>8,337.00</b>	<b>88,090.34</b>
Reserve for Encumbrances, December 31	0.00	0.00	0.00

*The notes to the financial statements are an integral part of this statement*

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Village of North Hampton, Clark County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special Revenue Fund:

**Street Construction, Maintenance and Repair Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**State Highway Fund** - This fund receives gasoline tax motor vehicle tax money for the state's share of the cost of constructing, widening, maintaining, and reconstructing the state highways.

**Permissive Motor Vehicle License Fund** - This fund receives motor vehicle license tax money which must be used for highway, roads, streets or bridges.

**Health Fund** - This fund records local tax money allocated to the Village by the county for the Health Department. The county pays the money directly to the Health Department.

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Sewer Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Fiduciary Funds (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**Mayor's Court Fund** - This fund is utilized to account for court fines and the distribution of court fines to the appropriate jurisdiction.

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**2. Equity in Pooled Cash and Investments**

The Village maintains a cash and investments pool used by all funds. A separate account exists for Mayor's Court activity. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand Deposits	\$ 164,026	\$ 99,906
Certificates of Deposit	<u>39,449</u>	<u>74,424</u>
Total deposits and investments	<u>\$ 203,475</u>	<u>\$ 174,330</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2005, was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Estimated Revenues</u> <u>Plus Carryover</u> <u>Balance</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 188,338	\$ 193,840	\$ 5,502
Special Revenue	94,620	24,926	(69,694)
Enterprise	368,754	353,326	(15,428)
Fiduciary	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 651,712</u>	<u>\$ 572,092</u>	<u>\$ (79,620)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 184,284	\$ 182,707	\$ 1,577
Special Revenue	21,530	21,652	(122)
Enterprise	367,502	338,590	28,912
Fiduciary	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 573,316</u>	<u>\$ 542,949</u>	<u>\$ 30,367</u>

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**3. Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2004, was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Estimated Revenues</u> <u>Plus Carryover</u> <u>Balance</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 93,149	\$ 139,905	\$ 46,756
Special Revenue	129,533	20,161	(109,372)
Enterprise	211,838	205,304	(6,534)
Fiduciary	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 434,520</u>	<u>\$ 365,370</u>	<u>\$ (69,150)</u>

2004 Budgetary vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 120,582	\$ 162,769	\$ (42,187)
Special Revenue	11,800	9,606	2,194
Enterprise	137,150	234,881	(97,731)
Fiduciary	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 269,532</u>	<u>\$ 407,256</u>	<u>\$ (137,724)</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**5. Debt**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
United State Dept. of Agriculture (USDA)	\$1,015,000	5.125%
Ohio Water Development Authority Loan 3772	\$ 870,903	4.34%

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
United State Dept. of Agriculture (USDA)	\$1,025,000	5.125%
Ohio Water Development Authority Loan 3772	\$ 878,160	4.34%

Amortization of the above debts, including interest, is scheduled as follows:

<b>Year ending December 31:</b>	<b><u>Mortgage Revenue Bonds</u></b>	<b><u>OWDA Loan</u></b>
2006	\$63,019	\$52,627
2007	63,455	52,627
2008	62,840	52,627
2009	63,225	52,627
2010	62,559	52,627
2011-2015	314,826	263,135
2016-2020	314,738	263,135
2021-2025	314,396	263,135
2026-2030	314,958	263,135
2031-2035	314,269	236,820
2036-2040	<u>315,204</u>	<u>0</u>
Total	<u>\$2,203,489</u>	<u>\$1,841,945</u>

Prior to 2004, the Village received a loan from the United States Department of Agriculture (USDA). The USDA loan relates to the construction and installation of a municipal sewer system. The loan will be repaid in annual payments through 2040. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates to sufficiently cover USDA debt service requirements.

Prior to 2004, the Village was awarded a loan from The Ohio Water Development Authority (OWDA) in the amount of \$878,160. The loan was for the water treatment plant renovation and expansion project. Semiannual principal and interest payments are \$26,313 beginning July 1, 2005 through 2035. The Village paid \$7,257 and \$19,056 during 2005 for principal

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**5. Debt (Continued)**

and interest payments, respectively. The loan is collateralized by water receipts. The Village has agreed to set utility rates to sufficiently cover OWDA debt service requirements.

**6. Retirement System**

The Village's Mayor, Financial Officer, Mayor's Court clerk, part-time employees, and law enforcement officers belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Village's council are members of Social Security.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**7. Social Benefit Plan**

The elected officials, with the exception of the Village Mayor and Financial Officer, contributes to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004, these officials contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2005. The Village has outstanding contributions to Internal Revenue Service of \$1,321 as of December 31, 2005.

**8. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**8. Risk Management (Continued)**

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Assets	\$2,063,636	\$1,818,012
Liabilities	<u>(3,279,694)</u>	<u>(2,852,133)</u>
Retained deficit	<u>(\$1,216,058)</u>	<u>(\$1,034,121)</u>

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- Errors and omissions
- Crime

**9. Outstanding Advances**

Unpaid, interfund cash advances at December 31, 2005 were as follows:

<u>Fund Type/Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 10,000
Enterprise	<u>10,000</u>	<u>-</u>
Total-All Funds	<u>\$ 10,000</u>	<u>\$ 10,000</u>

**10. Lease**

In 2005, the Village entered into an agreement with Ford Motor Credit Company to lease two 2006 Ford Crown Victoria police sedans through 2008. The Village holds a bargain purchase option for one dollar (\$1) that may be exercised at the end of the lease period whereby the Village will retain ownership of the police sedans.

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

**10. Lease (Continued)**

The following is a summary of future annual lease payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 9,071	\$ 1,871	\$ 10,942
2007	9,656	1,286	10,942
2008	10,279	663	10,942
2009	0	0	0
2010	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 29,006</u>	<u>\$ 3,820</u>	<u>\$ 32,826</u>



# TaylorApplegateHughes

AND ASSOCIATES, LTD

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## Report on compliance and on internal control required by Government auditing standards

Honorable Mayor and Village Council  
Village of North Hampton  
250 West Clark Street  
North Hampton, Ohio 45349

We have audited the financial statements of the Village of North Hampton, Clark County, (the Village) as of and for the years ended December 31, 2005, and December 31, 2004, and have issued our report thereon dated February 19, 2007 wherein we noted the Village of North Hampton prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-01 through 2005-20. We have also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated February 19, 2007.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Village in a separate letter dated February 19, 2007.

This report is intended for the information and use of the Village council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Taylor, Applegate, Hughes and Associates, Ltd.  
February 19, 2007

**VILLAGE OF NORTH HAMPTON  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2005 – 01**

**Internal Revenue Code Chapter 26, U.S.C. Sections 3401 – 3406, and Publication 15 (Circular E)** requires that each quarter, all employers who pay wages subject to income tax withholding or Social Security and Medicare taxes must file Form 941, Employer’s Quarterly Federal Tax Return, by the last day of the month that follows the end of the quarter. For each whole or part month that a return is not filed when required, there is a penalty of 5% of the unpaid tax due with that return. Additionally, for each whole or part month that the tax due is paid late, a penalty of 5% per month of the amount of tax generally applies. In addition to any penalties, interest accrues from the due date of the tax on any unpaid balance. Publication 15 (Circular E) also requires that all employers are to furnish each employee a completed W-2, Wage and Tax Settlement. Furthermore, employers are required to report payments of \$600 or more to persons not treated as employees, which included independent contractors.

- The Village filed the quarterly Form 941s on time for all quarters in 2004 and 2005, however, the first quarter 2004 deposits were late and were recorded for more than what was reported on the Form 941. July 2004 and December 2005 deposits were one day late. January and May 2005 deposits were four days late. The October 2005 deposit was thirteen days after the check was written thereby making the deposit late.
- The W-2s prepared for 2004 and 2005 contained errors. For both years, the “Retirement Plan” box was not marked. For 2004, Social Security wages were erroneously reported for employees who are in the Ohio Public Employees Retirement System (OPERS).
- The Village was unable to provide documentation that 1099s for 2005 were prepared and provided to independent contractors.

The Village should institute procedures to provide that all tax requirements are met to prevent the assessment of interest and penalties and to provide for accurate reporting for its employees and contractors.

**Client Response:** The Village agrees with the finding and is working on a solution to correct the finding.

**FINDING NUMBER 2005 – 02**

**Ohio Rev. Code Section 733.27** requires the village clerk to attend meetings of the legislative authority of the village, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subject to the inspection of all persons interested. The Village Clerk failed to accurately and completely record the Village’s activity which resulted in incomplete public records. The Village passed resolutions in 2005 but some resolutions were not recorded in the minutes.

**FINDING NUMBER 2005 – 02**  
**(Continued)**

Additionally, resolutions recorded in the minutes were not available for inspection. The resolutions for 2004 were not recorded in the minutes nor were they available for inspection.

**Ohio Rev. Code Section 733.28** requires the Clerk to keep the books and to exhibit accurate statements of all moneys received and expended, of all property owned by the Village and income derived there from, and all taxes and assessments. The Village purchased a backhoe for \$9,000 which was not recorded on the Village's insurance policy.

**Client Response:** The Village agrees with the finding. The backhoe was covered under the Village's liability coverage for damages. The issue has been resolved with the addition of the backhoe to the Village's insurance policy as of 2/22/07.

**FINDING NUMBER 2005 – 03**

**Ohio Rev. Code Section 5705.38(A)** requires that, on or about the first day of the fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 of the current year. An annual appropriation measure for the fiscal year 2004 was not adopted by the Council until April 13, 2004 and was not filed at the county auditor's office until May 4, 2004. An annual appropriation measure for the fiscal year 2005 was not adopted by the Council until March 8, 2005 and was not filed at the county auditor's office until March 15, 2005. In both situations, bills were paid prior to the adoption of appropriations but no temporary measures were adopted. Procedures should be adopted to provide for timely adoption of appropriations to provide for expenditures to prevent overspending Village resources.

**Client Response:** This issue has been resolved beginning with the 2006 fiscal year.

**FINDING NUMBER 2005 – 04**

**Ohio Rev. Code, Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2005 – 04**  
**(Continued)**

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village should establish a dollar amount for blanket purchase orders via a resolution. Failure to establish a dollar amount for blanket purchase orders could result in overspending and misappropriation of funds. We recommend that Council establish a dollar amount for blanket purchase orders via a resolution in the minutes.

**Client Response:** The Village does not agree with this finding because money is approved for appropriations. Asking for approval of the blanket certificate is an unnecessary redundancy when using the UAN system because the system will not allow warrants to be issued for more than the appropriations. The Village Clerk is allowed to issue “Then and Now” Purchase orders without a resolution so blanket certificates should meet the same requirement. Research of recent audits revealed that this finding is issued to many small villages. This requirement should be replaced with legislation that is appropriate for small government entities.

**FINDING NUMBER 2005 – 05**

**Ohio Rev. Code Section 5705.28** requires that on or before July 15 in each year, the taxing authority of each subdivision or other taxing unit adopt a tax budget for the next succeeding fiscal year. The Village’s tax budget for fiscal year 2004 was not adopted by the Council until August 9, 2003 and not submitted to

**FINDING NUMBER 2005 – 05**  
**(Continued)**

the budget commission until August 25, 2003. Further, the tax budget for fiscal year 2005 was not adopted until August 10, 2004 and not submitted to the budget commission until October 31, 2005.

Procedures should be developed and implemented to provide for timely adoption and submission of the tax budget.

**Client Response:** The Village agrees with the finding. The finding should be corrected as of the 2006 Tax Budget.

**FINDING NUMBER 2005 – 06**

**Ohio Rev. Code Section 5705.34** requires that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each authority is to certify the levies to the county auditor before October 1<sup>st</sup>, unless a later date is approved by the tax commissioner. The Village Council could not produce documentation that the necessary tax rates/levies were certified to the county auditor nor the resolution from the July 13, 2004 minutes approving the tax rates for the Village. The Village Council failed to certify the necessary tax rates/levies to the county auditor for 2005 and the minutes did not reflect the necessary resolution or ordinance.

Procedures should be developed and implemented to provide for timely certification and submission of the tax rates.

**Client Response:** The Village agrees with the finding. The finding should be corrected as of the 2007 budget year. The tax rates/levies were filed November 27, 2006 with the County Auditor.

**FINDING NUMBER 2005 – 07**

**Ohio Rev. Code Section 5705.39** requires that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate. The following Village funds had appropriations which exceeded the total estimated revenues.

<u>Fiscal Year 2005</u>	<u>Appropriation</u>	<u>Estimated Revenues</u>	<u>Variance</u>
Water Fund	\$ 174,002	\$ 123,983	\$(50,020)
<u>Fiscal Year 2004</u>	<u>Appropriation</u>	<u>Estimated Revenues</u>	<u>Variance</u>
General Fund	\$ 120,582	\$ 93,149	\$(27,433)

**FINDING NUMBER 2005 – 07**  
**(Continued)**

Procedures should be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

**Client Response:** 2004 was a transition year from a manual accounting system to the UAN computerized accounting system. The variance in 2005 was created by the Ohio Water Development Authority (OWDA) issuing loan payouts to the village who in turn sent a check to the contractor after completing work instead of OWDA issuing the check directly to the contractor.

**FINDING NUMBER 2005 – 08**

**Ohio Rev. Code Section 5705.41(B)** states that “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following Village funds had expenditures which exceeded appropriations:

<u>Fiscal Year 2005</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue Fund	\$ 21,530	\$ 21,652	\$ (122)

  

<u>Fiscal Year 2004</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 120,582	\$ 162,769	\$ (42,187)
Water Fund	30,450	114,234	(83,784)
Sewer Fund	106,700	120,647	(13,947)

Procedures should be implemented to routinely compare this activity and make any necessary amendments to reduce the possibility of overspending Village resources.

**Client Response:** 2004 was a transition year from a manual accounting system to the UAN computerized accounting system. A clerical error caused the variance in 2005.

**FINDING NUMBER 2005 – 09**

**Ohio Rev. Code Section 149.351(A)** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not otherwise be removed, transferred or destroyed unlawfully.

- The Village did not have supporting invoices for 13.6% of the vouchers tested for 2004.
- The Village had supporting invoices for 100% of the vouchers tested for 2005.

**FINDING NUMBER 2005 – 09**  
**(Continued)**

Failure to maintain complete documentation for expenditures could result in the inability to defend against possible disputed amounts, cause potential problems for future management decisions, and allow for misappropriation of assets. The Village should adopt and implement a policy for the preservation of records.

**Client Response:** The Village agrees with the finding and is taking steps to correct it.

**FINDING NUMBER 2005 – 10**

**Inaccurate Tax Reporting**

**26 U.S.C. Sections 3401 through 3406** govern the collection of income taxes, including the withholding and reporting of these matters to the appropriate tax authorities.

A W-2 for 2004 was not issued for Dirk Gibson who was employed with the Village as a police officer and earned \$912. It appears that these wages were not reported on the first quarter Form 941 for 2004. Additionally, employee withholdings and employer contributions for Medicare and OPERS should have been recorded and paid.

**Client Response:** The Village agrees with the finding and is taking steps to correct it.

**FINDING NUMBER 2005 – 11**

**Ohio Rev. Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. For the fiscal year 2004, the Village did not appear to have filed certificates to amend appropriations to expend excess revenues resulting in Finding 2005-10. For the fiscal year 2005, the Village filed an amended certificate indicating an increase of estimated resources as well as an amended certificate indicating an increase in appropriations at the same time. The amount in the amended certificate of estimated resources was not certified prior to making the supplemental appropriations resulting in Finding 2005-09.

The Village should file a certificate to amend appropriations to expend excess revenues with the county auditor before proceeding to expend such excess revenues. The Village should also obtain an amended certificate of estimated resources before making an amended appropriations certificate request.

**FINDING NUMBER 2005 – 11**  
**(Continued)**

**Client Response:** Village understands the finding. However, the village requested proof from the County that certificates were issued on amendments and returned to the village on four- (4) occasions during the completion of this audit and proof has still not been provided. Burden should not solely rest on the Village to complete this requirement; should also show as finding in Clark County Auditor Audit.

**FINDING NUMBER 2005-12**

**UAN**

For the fiscal year 2005, amended estimated resources and appropriation increases do not appear to have been updated in the Village's Uniform Accounting Network (UAN) program.

The Village should be making timely entries to record approved amended amounts to the estimated resources and appropriations in the UAN system. Failure to do so could result in the Village basing appropriations on outdated estimates of available resources which could result in negative fund balances.

**Client Response:** Amendments to the appropriations were entered into the UAN system, however, the full amount of the amendments were not entered in some cases.

**FINDING NUMBER 2005 – 13**

**Ohio Rev. Code Section 5705.10** requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method if resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year. Auditor of State Bulletin 97-003 states that inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment.

**FINDING NUMBER 2005 – 13**  
**(Continued)**

- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established.
- The reimbursement from the debtor fund to the creditor fund must not violate any restriction on use of the money to be used to make the reimbursement, and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

The 2003 audited financial statements reflect an advance of \$10,000 from the Enterprise Fund (creditor) to the General Fund (debtor). It does not appear that there was an adjustment for fiscal year 2004 to the total resources available for expenditure in the debtor or creditor funds that were submitted to the County Budget Commission pursuant to Section 5705.36 of the Revised Code.

The Village should determine whether or not the advance will be repaid or convert the advance to a transfer as authorized in ORC Sections 5705.14 to 5705.16.

**Client Response:** Finding 2003-013 was issued for similar circumstances and was marked as corrected on the Schedule of Prior Audit Findings. The Village believed the issue to be resolved. The \$10,000 indicated in the finding was actually the repayment of a loan to the Enterprise fund. However, proof of the required documentation could not be provided. The Village will adopt a resolution to reclassify this loan as a transfer.

**FINDING NUMBER 2005 – 14**

**Ohio Rev. Code Section 9.38** requires public officials to deposit all public monies received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official shall deposit the money on the next business day following the day of receipt unless the legislative authority of the public office adopts a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the monies until the time of deposit. When designing the public office’s system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management’s policies, ensure that accounting records are properly designed, ensure adequate security of assets and records, and plan for adequate segregation of duties or compensating controls.

**FINDING NUMBER 2005 – 14**  
**(Continued)**

The Village Clerk did not deposit water and sewer fund receipts timely. Failure to deposit receipts in a timely manner could increase the risk factors for misappropriation of monies. We recommend that the Clerk deposit all funds in a timely manner as prescribed above and implement procedures to safeguard monies until deposited.

**Client Response:** The Village rarely receives cash for water and sewer payments. The Village will adopt a policy to increase allowable deposit time to three (3) business days and will make provisions to safeguard water and sewer receipts in the interim.

VILLAGE OF NORTH HAMPTON  
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	O.R.C. Sec. 117.28 - Finding for Recovery - Retainer Fees	Yes	Finding no longer valid
2003-002	O.R.C. Sec. 731.12 - Finding for Recovery - Elected Officials Compensation	No	Significantly Different Corrective Action-Submitted to Ohio Attorney General for follow-up
2003-003	IRS Tax Filing Requirements	No	Not corrected-reissued as Finding 2005-01
2003-004	O.R.C. Sec. 733.27 - Accurate Meeting Minutes O.R.C. Sec. 733.28 - Accurate Financial Statements	No No	Partially corrected-reissued as Finding 2005-02 Partially corrected-reissued as Finding 2005-02
2003-005	O.R.C. Sec. 5705.12 - Approval to Establish New Funds	Yes	Finding no longer valid
2003-006	O.R.C. Sec. 5705.38 (A) - Timely Adoption of Appropriations	No	Not corrected-reissued as Finding 2005-03
2003-007	O.R.C. Sec. 5735.28 - Accurate Distribution of Gasoline Tax	Yes	Finding no longer valid
2003-008	O.R.C. Sec. 5705.41 (D) - Certification of Funds	No	Not corrected-reissued as Finding 2005-04
2003-009	O.R.C. Sec. 5705.28 - Adoption Of Tax Budget	No	Not corrected-reissued as Finding 2005-05
2003-010	O.R.C. Sec. 5705.34 - Certification of Tax Rates/ Levies	No	Not corrected-reissued as Finding 2005-06
2003-011	O.R.C. Sec. 5705.39 - Appropriations Not To Exceed Revenue	No	Not corrected-reissued as Finding 2005-07
2003-012	O.R.C. Sec. 5705.41 (B) - Expenditures Not To Exceed Appropriations	No	Not corrected-reissued as Finding 2005-08
2003-013	O.R.C. Sec. 5705-14 through Sec. 5705-16 - Transfers of Money Between Funds	Yes	Finding no longer valid
2003-014	O.R.C. Sec. 149.351 (A) - Preservation of Records	No	Not corrected-reissued as Finding 2005-09
2003-015	O.R.C. Sec. 117.38 - Accurate And Timely Annual Reports	Yes	Finding no longer valid

Village of North Hampton  
 Clark County  
 Schedule of Prior Audit Findings  
 Page 2

2003-016	O.R.C. Sec. 145.47 - Public Employment Retirement System Reporting	No	Partially corrected-See Management Letter Comments
2003-017	26 U.S.C. Sections 3401-3406 - Timely and Accurate W-2 Processing	No	Not corrected-reissued as Finding 2005-10
2003-018	Mayor's Court Cash Reconciliations	Yes	Finding no longer valid
2003-019	Charges for Services	Yes	Finding no longer valid
2003-020	Council's Approval of Wage Increases	No	Partially corrected-See Management Letter Comments
2003-021	Budgetary Procedures	No	Not corrected-reissued as Finding 2005-11
2003-022	UAN System	Yes	Finding no longer valid
2003-023	Audit Committee and Record Review	No	Partially corrected-See Management Letter Comments



Mary Taylor, CPA  
Auditor of State

VILLAGE OF NORTH HAMPTON

CLARK COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 12, 2007